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SECRETARY WALLACE EXPLAINS

PRESENT MEAT PRICE SITUATION

Statement made by Henry A. Wallace, Secretary of Agriculture. August 13, 1935.

U.S.Department of Agriculture, Agricultural Adjustment Administration, Washington, D.C.

HIGHLIGHTS

AMERICAN CONSUMERS deserve more accurate information about causes of present pork prices than that contained in recent reports.

THE TOTAL NUMBER of sows purchased by the Government was not 6 million, but was, by actual count, 222,149.

THESE SOWS WERE not "destroyed". In slaughtering the sows the edible meat was saved, and 100 million pounds of cured pork was distributed to families on relief rolls.

THE ASSUMPTION that these sows would have been on the market this year is an absurdity. Farmers would not have held these sows until this year under any circumstances. If there had been no Government buying the 222,149 sows would have been sold off in the winter of 1933-34 and the spring of 1934, and the pigs from their litters, born in the fall of 1933, would have gone to market not later than the fall of 1934. In addition, all of the 6 million little pigs bought by the Government would have been marketed in the winter of 1933-34 and the spring of 1934.

THE MORE CORN farmers were forced to feed their hogs in 1934, when hogs glutted the market and prices were low, the less they had left to feed hogs in 1935 when hogs are scarce and pork prices are high.

THE SLAUGHTER of the pigs in 1933 saved 60 to 70 million bushels of corn, and this resulted in augmenting the 1934 supply of available corn by the equivalent of more than 700 million pounds of live weight of hogs.

CONSUMERS this year are paying higher prices, but not quite so high as they would have paid if the hog-buying operations two years ago had not conserved feed last year when it was acutely needed.

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Statement made by Henry A. Wallace, Secretary of Agriculture, August 13, 1935.

American consumers deserve more accurate information about causes of present pork prices than that contained in Saturday's Associated Press dispatch from Chicago.

That dispatch, while correctly attributing first responsibility for present pork prices to the 1934 drought, defined the second cause as follows: "The Agricultural Adjustment Act, which provided for the destruction of 6,000,000 piggy sows or grown sows which would have been on the market this year. In addition uncounted prospective litters were destroyed."

This analysis is attributed by the Associated Press to Chicago "meat authorities". I am curious to know if these unnamed sources are packers who are suing in court for recovery of processing taxes already paid or sequestered in court on the theory that the packers pay these taxes, while at the same time spreading anonymous propaganda through the press to persuade consumers that the tax is borne by the consumers.

The interpretation of the effects of the 1933 sow slaughter on present pork prices, as contained in the Chicago dispatch, is a complete misstatement of the facts.

To start with, the statement that "6,000,000 piggy sows or grown sows", were killed is just about 3000 percent wrong. The total number of sows purchased by the Government was not 6,000,000, but was, by actual count, 222,149, or about one-thirtieth of the number cited in the dispatch.

In the second place, the statement that these sows were "destroyed" is an error. In slaughtering of the sows the edible meat was saved, and 100 million pounds of cured pork was distributed to families on relief rolls, as a result of the emergency buying operation.

Third, the part of the dispatch stating these sows "would have been on the market this year" is an absurdity. Farmers would not have held these sows until this year under any imaginable set of circumstances. The only kind of sows held for such lengths of time are blooded animals with records of high productivity, while farmers were in fact improving the blood lines of their herds by selling off their culls in 1933.

The rest of the statement that "In addition, uncounted prospective

litters were destroyed" makes the distortion just about complete.

So with more misinformation than I believe I have ever seen packed into two sentences, the public is given the inference -- which the meat packers fighting the farmers' programs seem agreeable to have spread -- that the Government's 1933 pig purchase operation in some way contributed to increasing the present retail prices of pork. Consumers should be warned that a nation-wide effort is being made by packers and other processors to undermine the farmers' programs by spreading malicious and untrue propaganda of all kinds about the effects and purposes of the Adjustment programs upon the consumers of the country.

The facts are that consumers now would be paying somewhat more for pork, if there had been no pig purchase program in 1933. A few simple little facts, if widely understood by consumers, will show them why this is true.

These facts are: First, that the Government buying of both 222,149 sows, and 6,188,717 little pigs, was completed before October 1, 1933 -- nearly two years ago.

Second, that the sows purchased were due to farrow, or produce litters, in the fall of 1933.

Third, that the average age at which pigs are marketed is nine months. This means that if there had been no Government buying, all of the 6,000,000 little pigs bought by the Government would have been marketed in the winter of 1933-34 and the spring of 1934; the 222,149 sows would have been sold off about the same time, most of them in February and March of 1934, and the pigs from their litters, born in the fall of 1933, would have gone to market not later than the fall of 1934.

Fourth, (and this is a vital fact for everybody to remember) that the supply of pork is limited by the supply of feed. With a given supply of feed, farmers can market just so many pounds of pork, and no more. They may vary the number of pigs, but the total weight, whatever the number, is absolutely limited by the feed supply.

Fifth, that in 1934, when the little pigs and the sows and their litters would have been marketed if there had been no Government buying program, the markets were already glutted by supplies forced on the market by lack of feed caused by the drought. That unprecedented drought reduced the 1934 corn crop by nearly a billion bushels and confronted farmers with the alternative of cutting down their hog herds or letting large numbers starve to death.

Sixth, that hog products are not usually held in storage for more than six months after slaughter.

When these facts are pieced together they spell out a story completely different from that which consumers are being asked almost every day to believe.

The true story is that the Government, with its 1933 pig purchases, re-duced by less than 8,000,000 pigs (including the possible million pigs not littered by the 222,149 purchased sows) the number of marketings in 1934, when nearly 68,000,000 were slaughtered. The need for the 1933 reduction is shown by the fact that even after the reduction was made, the 1934 slaughter was com-parable to the 1933 total slaughter of 73,000,000 for farm and commercial use, and the 1932 slaughter of slightly less than 71,000,000. All of these totals compare with the hog slaughter in years before we lost our export markets for pork, as for example in 1925 when slaughter was 68,000,000 head and when we exported 6.7 percent of our pork and 32 percent of our lard.

The average farm price of hogs for the year ending September 30, 1934, was $3.73 per hundred. Although very low, this price was somewhat higher than that of the previous year and higher than it would have been without the Government program. The slight increase in price plus benefit payments enabled the farmers to escape the disaster they would have faced.

All through 1934, when retail pork prices were moderate, consumers paid somewhat more for pork than they would have paid if the Government had not stepped in with its emergency program in 1933 to save the farmers from bank-ruptcy prices. I do not believe consumers begrudge the farmers that help in 1934, especially since the gains in farm buying power helped stimulate city business and aided in reviving city payrolls. The Agricultural Adjustment Ad-ministration takes full responsibility for boosting farm income from hogs last year, and for the moderate increase in prices paid by consumers of pork in 1934.

As to present pork prices, the true story of the effects of the Govern-ment's program is different.

Bear in mind that the volume of pork farmers can market in 1935 is wholly regulated by the amount of feed on hand.

Now, while hog products are perishable, grain is not. It can be and is stored on the farm. The more corn farmers were forced to feed their hogs in 1934, when hogs glutted the market and prices were low, the less they had left to feed hogs in 1935 when hogs are scarce and pork prices are high.

So the real effect of slaughtering sows and pigs in 1933 under the Government program, in advance of the tremendous 1934 drought shortage of feed, was to save feed available for maintaining supplies of hogs in 1934.

The pigs killed in 1933 would, if fed out, have consumed 60 to 70 million bushels of corn in 1934.

Pigs now being marketed are fattened on the corn available in advance of this year's corn crop, or in other words, on that produced in 1934 or held over from 1933. The slaughter of the pigs in 1933 therefore saved 60 to 70 million bushels of corn, and this resulted in augmenting the 1934 supply of available corn by the equivalent of more than 700,000,000 pounds live weight of hogs.

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The adjustment programs of last year caused a considerable shift from wheat and corn acreage into forage crops which were even more desperately needed than grain to protect the livestock population from starvation and to protect the breeding stock, and which crops, in addition, were more drought resistant and consequently produced more feed than either wheat or corn in areas of nearly total crop failure.

The Adjustment plan included corn loans in 1933 and 1934, which resulted in the storage, on farms, of 270 million bushels of corn in 1933, further augmenting in a vital way the 1934 feed supplies available for hogs now being marketed.

The net effects of the whole adjustment operation have been favorable both to farmers and consumers.

Farmers were saved from ruinous losses last year. Their marked recovery, in the face of the worst drought ever known, was brought about by revival from bankruptcy prices and by benefit payments financed out of processing taxes. Their improved purchasing power has contributed tremendously to general recovery. Farm improvement is now one of the principal factors in renewed industrial and business activity. Better employment has increased consumers' power to buy. Improved consumer buying power is a factor, independent of supply, in higher meat prices.

Consumers this year are paying higher prices, but not quite so high as they would have paid if the hog-buying operations two years ago had not conserved feed last year when it was acutely needed.

New supplies of this year's prospective 2,272,000,000 bushel corn crop soon will be available. Late this fall and early this winter the larger supplies of 1935 spring pigs will begin moving to market and prices will moderate. Larger supplies of grain-fed cattle also will be marketed in early 1936. Increased hog farrowings in the last half of 1935 will result in larger pork supplies next spring and summer.

So the situation will change, but the Adjustment program will continue to function in accord with its dominant purpose. This purpose is to protect farmers and consumers, to iron out wide fluctuations of the commodity markets, to provide greater supplies in time of shortage and less when, due largely to loss of export markets, huge surpluses threaten farm prices, to enable farmers to obtain parity prices, which are prices fair to consumers and fair to farmers, and to avert disastrous extremes of supply and price which in the past have contributed so greatly to agricultural collapse and general economic depression.

CREDITS AND DEBITS OF THE COTTON PROGRAM

Excerpts from an address by Chester C. Davis, Administrator of the Agricultural Adjustment Act, at Delta Day program, Stoneville, Miss., Tuesday Afternoon August 13, 1935.

U.S.Department of Agriculture, Agricultural Adjustment Administration,Washington,D.C.

HIGHLIGHTS

A BALE of American Cotton Must Buy for Its Producer What It Is Really Worth to Him, Not What It Is Worth to a Brazilian Peon, a Sudanese Sheik or a Chinese Coolie.

THERE IS appearing currently in a widely circulated national weekly an interesting and readable series of articles which is deeply critical of the American cotton policy. These articles describe the development of the Brazilian cotton industry during the past three years. We have followed with great interest and concern this Brazilian development. It should be noted that the impetus for the expansion of cotton production in Brazil began in 1931, before the adjustment program, beginning with the devaluation of Brazilian money and the depressed condition of coffee prices. Some of you know that many difficulties are being experienced in Brazil which were not described in this first article and which characterize the rapid expansion of any new industry. However, this magazine story contains a statement which, in my judgment, should be read by every southern cotton producer in considering the widely advertised threat of Brazilian cotton:

> "Brazil, with her present social and economic order and regimen of rural life, can produce and is now producing cotton at money costs enabling her, if need be, to put that cotton on shipboard for Europe or the Orient at prices, in British pence or Japanese yen, that would leave Brazil a justifying profit while the same prices would be taken as meaning wreck, ruin, and bankruptcy north of the Gulf of Mexico.

IF THE Brazilian farmer <u>can</u> do this, is there anyone who claims that our southern cotton farmers should experience "wreck, ruin and bankruptcy" in a bitter competitive price struggle to maintain a high volume of cotton exports?

TOO OFTEN in these involved discussions of international trade and export balances the cotton producers themselves are the millions of forgotten men. These must not be forgotten, not only because of their sheer numerical preponderance over other groups that are much smaller though often noisier, but because of their vastly greater importance to the nation's business, and because of the greater effect of their prosperity or poverty on the nation as a whole. These millions of cotton producers have a larger investment in the cotton industry than any other group.

They and their families are the most dependent upon it; they would be the most lost without it. They are of the most importance to the nation. A sustained fair income to this group is the most important consideration, and a fundamental that cannot be dodged.

ANOTHER FUNDAMENTAL factor in any study of the cotton problem is the soil of our cotton farms. The most valuable of all our national resources is the fertility of our farms. That must be protected and maintained. Gins and warehouses and docks and mills may be built up and torn down; the fertility of our soil, the basis of the industry and of life itself, must be preserved.

TO GO to a domestic basis in cotton -- which is unthinkable -- would be to reduce production so far that it would throw some families off their farms and onto Government care. This idea is shocking as I state it -- but, remember, many of our industries, who would not produce below cost of production as they ask the farmer to do today, did just that very thing and we tolerated it whether we liked it or not. With the aid of the various controls over production which corporate industry exercised, non-agricultural employers cut down production and maintained price levels to the extent that millions of people were plowed out of factories and onto Government aid.

THE OUTCRIES against higher farm prices by textile and flour millers, packers, and other processors, who had become accustomed to buying cheap raw materials, was expected. No one knowing the situation anticipated that the most hostile would do otherwise than fight farm measures in Congress and in the courts, as they actually have done. Some temporary disadvantages, too, were expected as to employment in the handling trades. The handlers generally had been operating on the basis of the high volume production, which because of constant declines in foreign outlets, had piled up farm products at home, wrecking the farmers' prices.

ON THE credit side for the Roosevelt policies there has been an increase in gross farm cash income of cotton growers from cotton and seed from $464,000,000 in 1932-33 to $862,000,000 in 1933-34 and $839,000,000 in 1934-35. Business and industry all over the South have felt the stimulating effects of this improvement. The farmers' referendum vote of 9 to 1 in favor of continuation of the Bankhead Act is proof that, despite the costs I have mentioned, the growers do not want to abandon the recovery plans they have begun.

THE FACT is that our difficulties in keeping up our exports began long before the Triple A -- and those difficulties touched other commodities than cotton, too, let it be remembered. These difficulties may as well take off their masks; we know them. They are the barriers to foreign trade that have existed for a long time -- tariffs, embargoes and quotas. We have always wanted to sell abroad, but we have been more and more unwilling to accept any goods in return. It may be all right for a debtor nation to count on selling without buying; the policy simply will not work for a creditor nation.

WHEN THIS Nation wants to modify the tariff system which impedes export trade, then the farmers will talk about modifying their adjustment programs. But unless I miss my guess, not before.

CREDITS AND DEBITS OF THE COTTON PROGRAM

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Address by Chester C. Davis, Administrator of the Agricultural Adjustment Act, at Delta Day program, Stoneville, Miss., Tuesday Afternoon, August 13, 1935.

It is a fine thing to be back in the South today. I take it that this meeting, the sixteenth Delta Day program, is an expression of your interest in your own agricultural problems, and their broader relationships with the farming problems of the Nation and the world.

I recall another meeting in the South nearly nine years ago. It was not so large as this, but it proved to be a gathering of great significance. That was a conference at Memphis in March 1926, at which farm leaders in the South and West began to put aside sectional differences and combine their forces in an effort to get equality for agriculture.

The result was the great drive for the McNary-Haugen bill which, after the deflection of 1928, finally reasserted itself in 1932 and bore fruit in the form of the Agricultural Adjustment Act.

After a two-year struggle to make use of the machinery which Congress afforded the farmers, they now have developed a national program for agriculture, making a good beginning toward overcoming discriminations and fighting their way back to recovery.

But the national program which farmers have been forging for themselves has brought some problems of long standing into clearer focus.

For one thing, farmers are now face to face with the fact that economic sectionalism is still alive and is fighting to retain its special privileges.

In addition, some international aspects of agricultural problems have come into bold relief. This is true of all our main crops, and is especially true of our export crops, notably cotton.

Consequently, some of the opposition to the adjustment program is sectional in its origin and is expressed in a defense of tariff preferences which the farmers' programs seek to offset. Another criticism purports to show that loss of farm exports is entirely the result of the adjustment program.

As a matter of fact these criticisms are closely related. The plain truth is that the sectional and industrial enemies of agricultural adjustment are trying to discredit the entire effort by ignoring the real fundamentals that have cut down foreign trade and by focusing attention solely upon the decline itself. They ignore the real reasons for the decline and set up a pretense that the adjustment program is the only reason.

Farmers by now should be fairly familiar with these tactics. They include newspaper scareheads over the seemingly horrible fact that this country imported during the year ending June 30, 1935, enough meat for just one meal and one small extra sandwich; as much corn as is produced in two good Illinois counties in a year; and enough butter--following a year of the most disastrous drought in our history--to feed our people for just 3 1/2 days. Such arguments are applauded by the claptrap of industrialists who have opposed every important agricultural program ever offered. These arguments ignore the fact that for once in their lives the farmers are getting real price effects of tariff rates which ordinarily are purely fictitious, and that now agriculture's buying power is on the climb, due partly to benefit payments made to those co-operating in the adjustment program, and partly to price advances.

The opposition has been concentrated upon the cotton program. The claim is made that through this program this country is sacrificing its export trade in cotton. Specifically, it is contended that the American farmers are handing their foreign markets over to Brazil and other foreign cotton countries. The responsibility for most of this is placed at the door of the 12-cent cotton loan and the rest of it is laid to the adjustment program and the Bankhead Act.

I know that the South, and to a lesser extent, the entire Nation, has a deep interest in these questions. It is my purpose today to discuss frankly some of the international aspects of the American cotton problem.

Now there are certain fundamentals in any thorough study of the cotton problem. These are sometimes waved aside by certain groups, who would, naturally, serve their own interests even above the interests of other groups who are much more important to the national economy. Let us keep these real fundamentals in sight, whatever herrings are drawn across our path. There are two of these fundamentals that are particularly important.

One of these fundamental factors is the vital matter of income to the cotton producer himself. Too often in these involved discussions of international trade and export balances the cotton producers themselves are the millions of forgotten men. These must not be forgotten, not only because of their sheer numerical preponderance over other groups that are much smaller though often noisier, but because of their vastly greater importance to the Nation's business, and because of the greater effect of their prosperity or poverty on the Nation as a whole. That is the important group, these millions of cotton producers. They have a larger investment in the cotton industry than any other group. They and their families are the most dependent upon it; they would be the most lost without it. They are of the most importance to the Nation. A sustained fair income to this group is the most important consideration, and a fundamental that cannot be dodged.

Another fundamental factor in any study of the cotton problem is the soil of our cotton farms. The most valuable of all our national resources is the fertility of our farms. That must be protected and maintained. Gins, and warehouses, and docks, and mills, may be built up and torn down; the fertility of our soil, the basis of the industry and of life itself, must be preserved. Any program that has to do with cotton must consider this as one of the fundamentals.

Remember, then, these two fundamentals. One is the cotton producers themselves and a sustained income for them; the other is the conservation of our most valuable national resource, the soil fertility of our farms. I believe there is no argument that these are the main considerations. And yet, only last week I read a long article in a prominent national magazine--I want to talk about that at greater length a little later--which did not even mention either of these fundamentals. It talked of exports, as do so many of our cotton people today. Assuredly our exports are an important factor in the problem, but any study of cotton exports should keep these two fundamentals always in the foreground. I do not mean to belittle the export factor. What I do mean to do is to emphasize the importance of the actual fundamentals--of which the exports are, after all, only a servant.

Now, any discussion of cotton exports comes quickly around to the cotton loan. Since the cotton loan seems to be blamed right now for so much of the current decline in exports, let us review briefly the history and development of these loans.

As I have said, the Adjustment Act was based upon the concept that with a reduction of surpluses and adjustment of supply, prices would respond upwards. In a complex economic society, it is difficult to follow any precise pattern. We have at all times attempted to maintain a degree of flexibility that would permit rapid adjustment of current programs to meet changing needs and new conditions. It was in this spirit that the policy of the commodity loans was adopted.

You people remember that in late September of 1933, after the plow-up campaign, the early speculative surge had receded and cotton was selling around nine cents in the country markets. The full effects of the adjustment program and other recovery policies had not yet become manifest. Now, in order for the producer to obtain these later benefits of the recovery program, it was important to enable him to carry his cotton until such time as prices responded to the efforts that had been made. These were the conditions which prompted the loan of ten cents a pound on the 1933 crop.

In the succeeding season, the second year of the adjustment of cotton production, another unforeseen condition arose which made it advisable to offer producers the opportunity to carry their cotton and not be compelled to dump it on the market during the harvest period. This unforeseen condition was the development of labor difficulties in the textile industry which had curtailed buying and tended toward sales stagnation and was creating an unusual degree of uncertainty in the market. Therefore, the 12-cent loan was made available.

During the past two seasons when each of these loans was in effect, ample stocks were held by merchants and consuming establishments to meet the probable requirements of the world for American cotton. From a carry-over of 11,754,000 bales at the beginning of the season in which the 10-cent loan was made, the end-season carryover has been reduced to approximately 9,000,000 bales at the beginning of the current season. It should be borne in mind that of these stocks, approximately 5,000,000 bales are firmly held under Government loans

and in the 1933 Cotton Producers' Pool. About 1,750,000 bales are in consuming establishments throughout the world, leaving about 1,000,000 bales in the hands of the trade in this country to compete with the crop that will be moving to market during the next few months.

While there is no intention or purpose on the part of this Administration to recede from its fixed determination to increase the incomes of the farmers of America, yet it is extremely desirable that, in so far as possible, the conditions of a free market obtain and that there be no unnecessary barriers to obstruct the movement of agricultural commodities into consumptive channels. I think it is important that we stick to the principle of accomplishing our objective by means of adjustment of supply. It should be recognized by producers and interested trades alike that the purpose of commodity loans is to assist producers in the orderly marketing of their crop, and not to fix prices.

Now, this loan has been called a pegged, or an established, price, because at times it has acted like one. As such it is important. But even an established price is a temporary thing, and narrowing the cotton problem down to that one thing is to blind many of our people to all other factors in the problem--and there are many, many other important factors. Today's price is only one factor after all.

I would ask the cotton industry not to attach as much significance to an established immediate and temporary price for cotton, implemented by Government action through the loan, as to an established principle for cotton, implemented by Government action through the adjustment program. A price for today is one thing; a permanent principle is another. You have had prices before--and they have been taken away. Let us peg a principle this time, and dare the critics of a cotton program to drag the principle down.

The principle that I speak of--and this principle is boldly inscribed in the Adjustment Act--is that American farmers are entitled to enjoy from their labor a living standard comparable to that enjoyed by other producing elements of society. That is the parity principle. It means that the price of a bale of cotton is not to be determined by its value to the export trade of the United States but by its value to the man who produced it. The individual rights of a cotton farmer must not be sacrificed to demands that he produce at a loss in order to maintain the Nation's exports.

This established principle I speak of is that a bale of American cotton must buy for its producer what it is really worth to him, not what it is worth to a Brazilian peon, a Sudanese sheik or a Chinese coolie. This principle that has been pegged for American agriculture insists that the two fundamentals I mentioned a moment ago be recognized and that cotton exports, or any other phase of cotton, be studied in the light of a sustained income to the producer and the maintenance of our producing plant, the farmers themselves, and their farms.

Now, I am not minimizing the value of our cotton export business. There is a value to the Nation in that export business which we all recognize. We want to maintain and preserve that value by all means. But, remember, it is

the value of that export business that we want to maintain--not just the exports themselves for their own sake. If we pay such a terrific price for these exports, at the expense of the fundamentals I have mentioned, then we have lost whatever value they might be to us.

Before I go further, let me explain that it is unthinkable either to abandon our exports or to sell out our cotton farmers, and the fertility of our farms, for a 5- or 6-cent price. Either of these alternatives is intolerable. One of these alternatives involves snapping our fingers at our cotton export, and that must not be. The other alternative involves turning our back on the cotton farmers and selling our soil fertility across the ocean in order to maintain the mockery of a valueless export market, and that is even more unthinkable.

Now, bearing in mind that I have said that both of these, in my opinion, are unthinkable, let me say that if it did come to either of these extremes I would give up the last bale of our cotton export and see every exporter padlock his doors before I would sell out the producer and his farm. The established principle for agriculture which I mentioned a moment ago will not allow the millions of cotton farmers and the fertility of their soil to be sacrificed upon the altar of five-cent cotton.

Of course, to go to a domestic basis in cotton--which I repeat is unthinkable--would be to reduce production so far that it would throw some families off their farms and onto Government care. This idea is shocking as I state it--but, remember, many of our industries, who would not produce below cost of production as they ask the farmer to do today, did just that very thing and we tolerated it whether we liked it or not. With the aid of the various controls over production which corporate industry exercised, non-agricultural employers cut down production and maintained price levels to the extent that millions of people were plowed out of factories and onto Government aid.

The adjustment programs of course would spread this reduction uniformly over the Belt instead of crowding out some individuals completely and leaving others unscathed as industry did. But I believe this is entirely unnecessary--I have said it is unthinkable--because there are so many other factors than today's established price in the problem of our cotton exports. Do not be confused by those who can see nothing else. And if they refuse to see anything except the two alternatives I have mentioned, either a starvation price or loss of our exports, tell them you will accept the loss of exports. Then they will quickly find a way out and will attack the problem where it can be solved.

Those who clamor for unrestricted production and resulting ruinous prices for American cotton often argue that any other plan will result in a permanent loss of our foreign markets. Let me suggest that a program of unrestricted production such as they advocate might, in the long run, prove to be the most disastrous procedure that could be followed in connection with the permanent maintenance of our export markets for cotton. Our ability to compete with foreign countries in the production of cotton depends in large measure on our relative efficiency of production, which, in turn, is closely linked with the fertility of our soils. It seems probable that a balanced agricultural

production in our southern States such as can be accomplished through the present adjustment program, will make it possible for us to conserve and improve the fertility of our soils and maintain the efficiency of our producing plant, whereas continued unrestricted production of cotton might so deplete our soil resources as to destroy our ability to compete with foreign cotton powers.

In order to see the agricultural program in its true perspective, it is essential to bear in mind the circumstances under which it was conceived. Prices of farm products generally, including cotton prices, had gone into a tailspin. Farm buying power had collapsed. Factories all over the country were idle. A wave of panic swept the banks. The people were dismayed by fears that the depression might prove a bottomless pit.

The Roosevelt policy of raising prices was adopted to bring the Nation out of that state of terror and collapse, and it was understood from the beginning that these measures could not be carried through without some costs to someone. No one ever expected that this country could sell as large a volume of cotton abroad at 12 cents as at 5 cents per pound. The Government knew there would be some economic casualties. Some toes would be trod upon. And we expected to hear from their owners.

The outcries against higher farm prices by textile and flour millers, packers and other processors, who had become accustomed to buying cheap raw materials, was expected. No one knowing the situation anticipated that the most hostile would do otherwise than fight farm measures in Congress and in the courts, as they actually have done. Some temporary disadvantages, too, were expected as to employment in the handling trades. The handlers generally had been operating on the basis of the high volume production, which because of constant declines in foreign outlets, had piled up farm products at home, wrecking the farmers' prices.

After two years, it is important to review the results thus far, to see whether the benefits actually do outweigh the costs. It is important to examine closely the items which are charged on the debit side of the program, to see whether they are genuinely due to the program or are properly chargeable to other causes.

On the credit side for the Roosevelt policies there has been an increase in gross farm cash income of cotton growers from cotton and seed from $464,000,000 in 1932-33 to $862,000,000 in 1933-34 and $839,000,000 in 1934-35. Business and industry all over the South have felt the stimulating effects of this improvement. The farmers' referendum vote of 9 to 1 in favor of continuation of the Bankhead Act is proof that, despite the costs I have mentioned, the growers do not want to abandon the recovery plans they have begun.

What are the actual economic costs? Much publicity is given to loss of export trade. One principal argument being made against the cotton program on this score is that the higher prices of American cotton have encouraged increasing production of cotton in other countries. The other is that foreign cotton-consuming nations are turning away from our cotton to foreign growths

to supply their needs, and that hence our market is being displaced.

In support of the first point, sweeping conclusions are being drawn from temporary changes in production in foreign countries, notably Brazil.

There is appearing currently in a widely circulated national weekly an interesting and readable series of articles which is deeply critical of the American cotton policy. These articles describe the development of the Brazilian cotton industry during the past three years. We have followed with great interest and concern this Brazilian development. It should be noted that the impetus for the expansion of cotton production in Brazil began in 1931, before the adjustment program, beginning with the devaluation of the Brazilian money and the depressed condition of coffee prices. Some of you know that many difficulties are being experienced in Brazil which were not described in this first article and which characterize the rapid expansion of any new industry. However, this magazine story contains a statement which, in my judgment, should be read by every Southern cotton producer in considering the widely advertised threat of Brazilian cotton:

> "Brazil, with her present social and economic order and regimen of rural life, can produce and is now producing cotton at money costs enabling her, if need be, to put that cotton on shipboard for Europe or the Orient at prices, in British pence or Japanese yen, that would leave Brazil a justifying profit while the same prices would be taken as meaning wreck, ruin and bankruptcy north of the Gulf of Mexico."

If the Brazilian farmer can do this, is there anyone who claims that our Southern cotton farmers should experience "wreck, ruin and bankruptcy" in a bitter competitive price struggle to maintain a high volume of cotton exports?

As to cotton production in other countries generally, even including Brazil, there is little evidence that the absence of any American cotton program would have stopped the upward trend in foreign acreage. There was an increase of 9 percent in foreign cotton acreage in 1933 but these increased plantings preceded and did not follow our cotton program that year. In 1934 cotton acreage in foreign countries increased less than 5 percent and production increased only 3.4 percent, and during all these years the supply of American cotton, as I mentioned before, was crowding the world markets. There was always plenty of cotton, and there is today.

It is claimed in this cotton export argument that foreign cotton-consuming countries are substituting cheaper growths for American cotton. It is true that our sales abroad have declined, but it is important to know to what extent this is chargeable to the American cotton program and to what extent to other causes.

The fact is that our difficulties in keeping up our exports began long before the Triple A--and those difficulties touched other commodities than cotton, too, let it be remembered. These difficulties may as well take off

their masks; we know them. They are the barriers to foreign trade that have existed for a long time--tariffs, embargoes and quotas. We have always wanted to sell abroad, but we have been more and more unwilling to accept any goods in return. It may be all right for a debtor nation to count on selling without buying; the policy simply will not work for a creditor nation.

Price? That has had less effect on the falling off of our cotton exports than might be supposed. Our biggest cotton export year was 1926, when the average December 1 farm price was 12-1/2 cents a pound. Then in 1932, when the average December 1 farm price was 6-1/2 cents, our exports were 2 million bales less. There are other factors than price in the woodpile, you see.

And if abstract explanation, however emphatic, doesn't make this fact apparent I will be as specific as you please. During the past few months I have had several visits from representatives from Germany who wanted to buy cotton. They were pleading for a chance to take it--at going prices--if they could pay for it in German goods. I didn't argue price with them; they didn't argue price with us. They told us, and I believe it is true, that they have no exchange to pay us for cotton unless they can sell us something in return. Now just let me suggest right here that if the export situation is so desperate as to make some people consider asking our cotton producers to sell cotton at starvation prices perhaps it is desperate enough for us to consider removing these exchange barriers. Which alternative appeals to you?

Germany has been our largest importer of cotton for the past ten years. Let's put that big customer of ours and his problems under glass and look at them a minute. We see that our cotton exports to Germany for the 1934-35 year dropped below the level of the year before. It dropped enough to account for 35 percent of our total decrease in cotton export. But Egypt's and India's cotton exports to Germany dropped, too. We must not overlook that. What about Brazil? Yes, there is part of the answer--and again it proves the point because we find that Germany bought Brazil's cotton because special arrangements between Brazil and Germany made it possible for Germany to pay for that cotton with goods she shipped to Brazil.

Now I know it is sometimes pointed out that our industrial exports have increased while our agricultural exports have fallen off. What about that? Let's take Germany again. From 1930 to 1934 our cotton exports to Germany slumped 65 percent--and during the same period and to that same country our exports of machinery and vehicles fell off 73 percent, metal and metal goods about 55 percent, and non-metallic mineral over 50 percent.

We must remember that many foreign countries in their fever for self-sufficiency, with the war scare always over their heads, have resorted to tariffs and embargoes and quotas and other import restrictions so that they will be forced to expand their own production of food and raw materials. This is particularly true of European countries, which are industrial countries, you know, and which used to buy our farm goods.

They want to grow their own instead of buying ours. France, for example, about-faced from a wheat importing country to a wheat exporting country, and Germany cut pork purchases away down. But it is different in the case of those countries that buy our industrial goods. Those countries are largely agricultural countries and are not worrying so much about self-sufficiency.

Unless this country wishes to face permanent injury to its cotton export trade, it must face the fundamental fact that we cannot sell unless we buy. The critics of the cotton program can go on telling the farmers that they should junk their control programs, maintain tariff protection for industrialists and resume permanently their production at starvation prices for export markets that are gone. But if the cotton growers are as smart as I think they are, they will not listen to them.

When this Nation wants to modify the tariff system which impedes export trade, then the farmers will talk about modifying their adjustment programs. But unless I miss my guess, not before.

In conclusion, let me revert to earlier reference to attacks being made in the courts by processors on the farmers' programs.

Because it is so strongly committed to the principle of equality for agriculture, and because the existence of the tariff system so clearly necessitates compensatory assistance for the farmers, the present Congress has made a great effort to amend the Act to meet every decisive point raised by any lower court which has held the Act unconstitutional. The heart of the pending amendments is to be found in the sections in which Congress legislates specific rates of processing tax, both past and future, and validates past adjustment programs, contracts, and payments. Thus Congress speaks its intent directly and clearly, removing, as far as the English language can, any question of invalid delegation of legislative power.

Because of the union of the farmers of West, North and East with those of the South in the struggle for economic equality, I believe you will be interested in a resolution, published in the SIOUX CITY TRIBUNE which was adopted as "The Farmers' Creed" by farmers of four Midwest States meeting there August 3. This creed is worth remembering because it probably is representative of a general feeling among farmers. I wouldn't be surprised if it came very close to expressing the sense of this meeting here today. I quote the Creed:

"RESOLVED: We believe in the Constitution of the United States of America, and in constitutional processes. We believe that what we need is not a new constitution, but a better understanding of the one we have. We believe that, reasonably interpreted and construed, it can meet all our needs and enable us to come to an orderly solution of our problems without sacrifice of those ideas and ideals that are American. If, by any chance, contrary to our expectations, we find the Constitution in any respect a bar to a just and workable solution of our problem, we shall remember that the Constitution contains within itself provisions where a well considered change in our fundamental law can be made in a well ordered manner. But such change should be made only as a last resort and should be only such as harmonizes with the American spirit and with American institutions."

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